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SUBJECT: GEORGIA: SCENESETTER FOR THE VISIT OF VCJCS
GENERAL CARTWRIGHT

Classified By: CLASSIFIED BY CHARGE D'AFFAIRES, A.I. KENT LOGSDON FOR REASONS 1.4(b) AND (d).

11. (SBU) Your visit to Georgia follows the visit of USAREUR Commanding General Ham, which was well-received by the Georgians, but focused mainly on military-to-military discussions. Your itinerary will be broader - we have requested meetings with the President and Minister of Foreign Affairs, and will include a stop at Georgia's main port in Poti on the Black Sea. By the time of your visit, we hope to have a decision on how we will implement the Secretary of Defense's Security Assistance concept and it would be useful for you to provide details about our policy to the Ministers of Defense, Foreign Affairs, Parliamentary Speaker and President. They will also be eager to hear more about U.S. plans for continued close cooperation in the military sphere. They will also be looking to you for reassurance of strong USG support for Georgia, Georgia's territorial integrity, and Georgia's integration into NATO and the Euro-Atlantic community.

12. (SBU) Since the August conflict, tension along the de facto boundaries with the separatist regions of Abkhazia and South Ossetia remains high. Twelve Georgia Ministry of Internal Affairs police officers have been killed since the conflict; others have been wounded in violent incidents and sniper attacks. International monitors still do not have access to South Ossetia and the UN's movements within Abkhazia are limited. The Georgians signed an MOU with the European Union's Monitoring Mission (EUMM) taking some unilateral steps to build confidence; to date, the Russians/Abkhaz/South Ossetians have not responded in-kind. On the defense side, MOD procurement actions are likely less corrupt than in the past but remain non-transparent, which impedes progress in the defense transformation process. Our top priorities remain western-based professional education and training for individuals and units, doctrine development, and improving homeland defense capabilities (air defense and anti-armor are the priorities). Economic pressures resulted in a 39% reduction in the defense budget for 2009.

SAAKASHVILI WEATHERING THE POLITICAL STORM

13. (C) The fallout from the August war remains a dominant political issue in Georgia, although concerns about the economy are probably foremost for the public. Although many of those displaced by the war have returned to their homes, those displaced from South Ossetia itself and part of Abkhazia have for the most part been unable to return. On November 28, in an unprecedented event, President Saakashvili voluntarily defended his wartime decisions during a four-hour appearance in front of a Parliamentary commission investigating the war. Saakashvili remains the primary figure in Georgian politics, but his wartime decisions have drawn significant criticism from various opposition leaders. While vocal, opposition parties and leaders remain largely

fractured and without a political program, thus far not representing a credible alternative to Georgia's current leadership.

¶4. (SBU) As a result of Russia's invasion, President Saakashvili has re-committed his administration to a new wave of democratic reform and we are encouraging him in this effort. Several new ministers to include the current Minister of Defense were appointed between December 5 and 9. The new Prime Minister, former Finance Minister Nika Gilauri, was appointed on January 30, after the former PM resigned due to health concerns. The moves have generated little public reaction and reflect no significant change in overall policy direction, although some opposition voices have been critical of the constant game of ministerial musical chairs. As Prime Minister, Gilauri has responsibility for the overall direction of the Georgian Government's economic team as well as the allocation of the \$4.5 billion in pledges from the international community to support Georgia following the conflict. These pledges include \$1 billion from the United States.

MOD TEAM

¶5. (C/NF) In addition to DCHOD BG Dave Nairashvili, whom you met in late October 2008 in your office, two other English-speaking and western-oriented reformers were appointed by President Saakashvili in the last ninety days; CHOD Colonel Lado Chachibaia (graduate of US Army CGSOC and Army War College courses) and Defense Minister David Sikharulidze (former Georgian Ambassador to the US as well as a former Deputy Defense Minister). Both are English-speakers

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and well acquainted with the U.S. The CHOD met with Admiral Mullen on the margins of a NATO event and reportedly generated a favorable impression. This is no surprise as Chachibaia is a long-time friend and contact of the DAO and a genuine military professional. While significantly younger and arguably less-experienced than both of his DCHODs, the CHOD enjoys the confidence of the Minister of Defense and is genuinely dedicated to transforming his armed forces. The Minister is also a familiar figure to us and works closely and personally with the ODC's Defense Transformation team on various reform initiatives. It is safe to say that the current MOD leadership is the most amenable to making the tough choices that defense transformation requires since 2006. Whether they have the authority to make all the necessary changes remains in doubt. DOD representatives have unrestricted access to the Defense Minister, CHOD, and DCHODs though it appears that all conversations within the MOD are recorded, not necessarily by the Ministry of Defense.

¶6. (C) Senior Georgian interlocutors continue to brief to us and other foreign security specialists that the priority for defense transformation is improving training and education, developing doctrine, increasing homeland defense capabilities, and participating in international operations (if the security situation in Georgia allows it). The top priorities for homeland defense capabilities are air defense/air surveillance and anti-armor, each of which will require both training and new/additional weapons purchases to execute. CG USARAEUR agreed to assist in developing an anti-armor training program (pending approval from policy makers) without linking it to military sales initiatives.

¶7. (S/NF) The principal impediment to transformation remains the political will to make hard decisions. Absence of transparency in the acquisition and procurement process (to include contracts for infrastructure development) creates an environment conducive to corruption, which both the CHOD and Defense Minister recognize but do not have the power to change. CHOD has confidentially and personally expressed his frustration to the DATT that he lacks the authority to remove corrupt personnel from the structure or to bring transparency

to the process. This frustration may, at some point, overwhelm the CHOD and result in his resignation - a move bad for the Georgian Armed Forces and bad for U.S. interests. A comment from you on managing change in areas where it is possible and offering your services as a sounding board would be welcome.

18. (C/NF) You will almost certainly hear a request for assistance in allowing Georgia to procure the ammunition and weapons systems it needs to create the air defense/air surveillance and anti-armor capabilities we think they require. Your interlocutors will know that these decisions do not rest with you but will ask that you advocate for them with U.S. policy makers.

19. (C) Georgia still sees its ultimate security guarantee coming from NATO membership. Georgian government officials hailed the December NATO Ministerial in Brussels as a victory for Georgia. They said the decision to intensify cooperation between Tbilisi and NATO and invigorate the NATO-Georgia Commission (NGC) would play a central role in moving Georgia toward membership. Opposition politicians have criticized the government's failure to progress in MAP accession. Russian Prime Minister Putin was also widely quoted in the Georgian press as hailing the decision in yet another stab at the Saakashvili government. Nonetheless, polling indicates that most Georgians support membership in NATO and see it as their strongest, irreversible step into the West. As a part of the NATO-Georgia action plan, the MOD is leading an inter-agency effort to draft and approve a National Security Review, a concept which heretofore has not been a requirement for NATO aspirants. The projected completion date for the document is end-of-year 2010. The ODC's defense transformation team is working with the MOD on the project.

GEORGIA'S ECONOMIC MACHINE HIT BY THE WAR AND THE GLOBAL CRISIS

10. (C) On the economic front, the Georgian economy is recovering slowly after the shock of Russia's August invasion. The government is facing challenges of supporting the economy and exploring ways to house and care for an estimated 30,000 newly displaced persons into undisputed Georgian territory, at least temporarily. Preliminary estimates for negative growth have been revised and the government privately expects total GDP growth for 2008 to be around 2 percent, well below last year's growth of 12

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percent. The government has real concerns that unemployment numbers could skyrocket in light of the August conflict and global financial crisis. The overall credit crisis still threatens the recovery of the Georgian economy, which is heavily dependent on foreign direct investment (FDI) for growth. The conflict has slowed the FDI stream considerably, and the government seeks to reassure investors about the stability of Georgia's market. The 2009 MOD budget is 39% less than last years, and has 43% less purchasing power when considering currency devaluation. Although the Defense Minister and CHOD both say that there are no major equipment purchases forthcoming, they mean purchases of major end items (tanks, aircraft, APCs) are not programmed and air defense or anti-armor purchases are still actively being sought.

11. (SBU) The global economic downturn, coupled with the fallout of the August conflict, has slowed a once-vibrant Georgian economy which, prior to the war, enjoyed double-digit growth rates and was the 15th best place in the world to do business. In 2009, the government will be heavily dependent on foreign aid to achieve many of its reconstruction goals. The US has pledged \$1 billion in total support and last November, transferred \$250 million of direct budget support to the Georgian government. In total, roughly \$750 million of the pledged \$1 billion USG aid has been allocated and is in the process of being transferred to the

Georgian government. An additional \$250 million still requires Congressional approval. A total of \$4.5 billion of aid was pledged to Georgia at an October Donors Conference in Brussels, to be distributed over three years, although to date little - other than US assistance - has been disbursed.
LOGSDON